

Message Text

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17

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 NEA-10 IO-13 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01

/117 W

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P R 260335Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 4038

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY MANILA

C O N F I D E N T I A L JAKARTA 5401

USADB

E.O. 11652: GDS

TAGS: EAID, EFIN

SUBJECT: ASIAN DEVELOPMENT FUND

SUMMARY: REPLENISHMENT AGREEMENT FOR ADB SOFT FUNDS WAS HELD TOGETHER AT ANNUAL MEETING BY THIN THREAD AND APPEARS WILL COME APART UNLESS U.S. AGREES TO \$180 MILLION TARGET AND FRG AGREES NOT REDUCE ITS CONTRIBUTION TARGET IN FACE U.S. REDUCTION FROM \$231 MILLION TO 180. ALL DONORS EXCEPT FRG SAID THEY WOULD PROBABLY HOLD TO THEIR CONTRIBUTION TARGETS IN FACE POTENTIAL
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U.S. REDUCTION TO \$180 MILLION PROVIDED ALL OTHER MAJOR DONORS,

INCLUDING FRG, HOLD ALSO. U.K., AUSTRALIA, JAPAN AND SEVERAL SMALL DONORS SAID REPLENISHMENT WOULD HAVE TO BE RENEGOTIATED IF U.S. ASKS FOR TARGET BELOW \$180 MILLION, I.E. MOST OTHER DONEORS FEEL THEY CANNOT JUSTIFY 50 PERCENT INCREASE THEIR CONTRIBUTION TO ADF IF U.S. DOES NOT INCREASE AT ALL. SUBSTANTIAL INCREASE IN CANADIAN CONTRIBUTION, IN EFFECT LARGELY OFFSETTING A U.S. REDUCTION FROM \$231 TO \$180 MILLION, WAS KEY FACTOR HOLDING REPLENISHMENT TOGETHER. END SUMMARY

1. WHILE MOST DELEGATES IN PLENARY SPEECHES BEMOANED CURRENT HALT ADF LENDING BECAUSE LACK FUNDS AND REDUCTION ADF LENDING IN 1975 COMPARED 1974, BEHIND STAGE EFFORTS FOCUSED ON HOLDING ADF REPLENISHMENT TOGETHER AND BRINGING IT INTO EFFECT BY JUNE OR JULY SO ADF LENDING TO POOREST COUNTRIES COULD RESUME. ATTENTION OF COURSE FOCUSED ON U.S. POSITION. INFORMALLY USDEL EXPLAINED U.S. POSITION STILL NOT FINAL BUT ESSENTIALLY NARROWED TO TWO ALTERNATIVES -- \$180 MILLION AND 150 MILLION. ALL OTHER DONORS ARGUED REDUCTION FROM \$231 MILLION TARGET IN RESOLUTION UNFORTUNATE. BUT ALL RECOGNIZED U.S. HAD NOT ACCEPTED \$231 AND SUBSTANTIAL REDUCTION WAS TO BE EXPECTED. HOWEVER, MOST OTHER DONORS SAID THEY COULD NOT JUSTIFY THEIR SUBSTANTIAL INCREASES IN THEIR GOVERNMENTS AND PARLIAMENTS IF U.S. REPLENISHMENT TARGET DID NOT INCREASE AT ALL FROM \$150 MILLION U.S. SHARE OF INITIAL ADF MOBILIZATION. WHILE OTHER DONORS INDICATED THEY COULD PROBABLY LIVE WITH \$180 MILLION U.S. TARGET, FRG SAID U.S. REDUCTION TO \$180, ESPECIALLY IF ANNOUNCED NOW, WOULD PROBABLY RESULT IN REDUCTION FRG CONTRIBUTION. PRIVATELY FRG INDICATED SOME REDUCTION AID BUDGET APPEARS NECESSARY AND U.S. REDUCTION WOULD PROVIDE JUSTIFICATION FOR REDUCTION FRG ADF TARGET. OTHERS, INCLUDING JAPAN AND UK, SAID FRG REDUCTION WOULD FORCE THEM TO REDUCE THEIR REPLENISHMENT TARGETS CAUSING AGREEMENT TO COME COMPLETELY APART.

2. AS CONTRIBUTIONS FROM SEVERAL SMALL DONORS -- FINLAND, NEW ZEALAND, ITALY, SWISS -- ARE UNCERTAIN OR MAY BE REDUCED, THERE WAS MAJOR CONCERN THAT ADF DONOR MEETING WOULD BE DISASTER IF U.S. INDICATED MAJOR REDUCTION ITS TARGET FOLLOWED BY INDICATION POTENTIAL REDUCTIONS FROM SMALL DONORS.

3. THUS MANY HOURS DEVOTED TO DEVELOPING SCENARIO FOR DONOR
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MEETING TO AVOID ADF UNRAVELING. USDEL AGREED PROVIDE KEY INGREDIENT BY SAYING THAT, WHILE USG POSITION NOT YET FINAL, MOST LIKELY U.S. POSITION IS \$180 MILLION WITH AMOUNT HIGHER THAN \$180 HIGHLY UNLIKELY. SMALLS WITH UNCERTAIN POSITIONS AGREED KEEP QUIET.

4. AT FORMAL MEETING OF ADF DONORS ON APRIL 23, USDEL INDICATED THAT, ALTHOUGH FINAL U.S. DECISION NOT YET MADE, MOST

LIKELY U.S. CONTRIBUTION WOULD BE \$180 MILLION. THIS REPRESENTED AN INCREASE OVER PREVIOUS US CONTRIBUTION AND IS REALISTIC AMOUNT TO EXPECT FROM US. USDEL EXPLAINED THAT DUE TO BUDGETARY DEADLINES, THE ADMINISTRATION IS SEEKING AUTHORIZATION FOR AND APPROPRIATION OF \$50 MILLION FOR FY 1977 FOR FIRST INSTALLMENT TO ADF REPLENISHMENT. HOWEVER, IF A DECISION IS MADE FOR \$180 MILLION THE ADMINISTRATION WILL REQUEST REMAINING AMOUNT IN EQUAL INSTALLMENTS OF \$65 MILLION EACH IN FYS 1978 AND 1979. USDEL REQUESTED THAT BOARD OF GOVERNORS PERMIT US TO MAKE ITS CONTRIBUTIONS IN THIS PATTERN AND NOT IN THE REQUIRED THREE EQUAL INSTALLMENTS. ASSUMING NEW CONGRESSIONAL BUDGET SCHEDULES ARE FOLLOWED, USDEL EXPRESSED HOPE THAT FY 1977 APPROPRIATIONS, INCLUDING \$25 MILLION CUT FROM FY 1976 BUDGET COULD BE OBTAINED BY OCTOBER OR NOVEMBER.

5. WHILE RECOGNIZING US HAD ABSTAINED ON ADF RESOLUTION AND HAD PREVIOUSLY IMPLIED THAT SUGGESTED \$231 MILLION FIGURE TOO HIGH, DONOR COUNTRY DELEGATES IN ENSUING DISCUSSION EXPRESSED STRONG REGRETS AT US DECISION TO ADJUST DOWNWARD ITS CONTRIBUTION SHARE. JAPAN, UK, AUSTRALIA, SWITZERLAND, ITALY, AND DENMARK EXPRESSED THEIR INTENTION TO REDUCE THEIR CONTRIBUTIONS ONLY IF US SHARE ADJUSTED BELOW \$180 MILLION. FRG, HOWEVER, RESERVED ITS POSITION AND SAID IT WILL HAVE TO RECONSIDER AND PERHAPS REDUCE ITS \$53.1 MILLION CONTRIBUTION IN LIGHT OF PROPOSED US SHARE OF \$180 MILLION. UK AND JAPAN RESPONDED THAT ANY REDUCTION IN THE FRG SHARE IN REACTION TO US \$180 MILLION WILL FORCE A REDUCTION IN THEIR CONTRIBUTIONS AND THREATEN A GENERAL UNRAVELING OF ENTIRE REPLENISHMENT. UNDERLYING TONE OF MEETING WAS TENSE WITH US AND GERMANY EXPLICITLY PLACED IN POSITION OF LYNCHPINS FOR REPLENISHMENT. FRG AGREED CONSIDER ITS POSITION ON US \$180 MILLION CONTRIBUTION IN NEXT TWO WEEKS, PUTTING INITIAL PRESSURE ON FRG. US AGREED INFORM OTHER KEY DONORS OF ITS FINAL POSITION WHEN KNOWN AND NOTIFY BANK FORMALLY BEFORE JUNE 30. SUBSEQUENT
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TO MEETING, FRG TOLD BUSHNELL MINISTER BAHR LEANING TOWARD CUT FRG CONTRIBUTION IF US CUTS BELOW 231 BUT MIGHT FIRST WRITE LETTER TO KISSINGER.

6. ADB URGED ALL DONORS TO DEPOSIT THEIR INSTRUMENTS OF CONTRIBUTION ASAP IN ORDER TO BRING REPLENISHMENT INTO FORCE BY JUNE 30, 1976 DEADLINE. CURRENT INSTRUMENTS DEPOSITED TOTAL \$142.5 MILLION WITH \$475 MILLION NECESSARY TO TRIGGER REPLENISHMENT. IT IS UNLIKELY THAT INSTRUMENTS WILL BE OBTAINED SOON FROM ITALY, SWITZERLAND, NEW ZEALAND, FINLAND AND U.S. IF SIX REMAINING POTENTIAL DONORS -- AUSTRALIA, BELGIUM, DENMARK, JAPAN, THE NETHERLANDS, AND UK -- MAKE THEIR CONTRIBUTIONS TOTALING \$383.4 MILLION SOON, TRIGGER FIGURE WOULD BE OBTAINED. LEGISLATURES IN THESE SIX COUNTRIES ARE CURRENTLY CONSIDERING ADF LEGISLATION. JAPAN INDICATED IT MIGHT BE IN POSITION TO DEPOSIT IN MAY, BUT BELGIUM

INDICATED END JUNE OR JULY; OTHERS NOT CLEAR. USDEL INDICATED US
MIGHT BE IN A POSITION TO DEPOSIT ITS INSTRUMENT FOR THE ENTIRE
REPLENISHMENT SUBJECT TO CONGRESSIONAL ACTION AFTER RECEIVING
AUTHORIZING AND APPROPRIATION LEGISLATION FOR THE INITIAL \$50
MILLION, PERHAPS AS EARLY AS AUGUST OR SEPTEMBER 1976.
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Message Attributes

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Draft Date: 26 APR 1976
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
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TAGS: EAID, EFIN, US, ID, ADB
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Type: TE
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